



FISCAL MEMORANDUM

HB 366 - SB 871

April 12, 2023

SUMMARY OF BILL AS AMENDED (007082): Authorizes local legislative bodies to set the income limit for persons who are 65 years of age or older and otherwise eligible for property tax relief under the *Property Tax Freeze Act* at \$60,000. Requires a municipality that adopts the Property Tax Freeze Program (Program) to use the \$60,000 income limit if the municipality is located in a county that has adopted the \$60,000 income limit.

FISCAL IMPACT OF BILL AS AMENDED:

Other Fiscal Impact – The extent and timing of any foregone local revenue beginning in FY24-25 cannot be reasonably determined but is considered permissive.

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-5-705:
 - The legislative body of any county or municipality may, by resolution, elect to participate in the Program;
 - The Program is available for persons 65 years of age or older who meet certain income requirements and is applied to the eligible person's principal place of residence;
 - The income limit shall be the greater of: (1) each county's weighted average median household income level or (2) the income limit for elderly low-income homeowners receiving property tax relief;
 - The Comptroller of the Treasury (COT) shall adjust this limit annually to reflect the cost of living adjustment for Social Security recipients; and
 - Property taxes due are calculated as the lesser of: (1) the actual tax due or (2) the property taxes which were due at the time the property qualified for participation in the Program plus any adjustments for improvements made to the property since qualification.
- The proposed legislation authorizes local legislative bodies that have adopted the Program to set the income limit at \$60,000 beginning in tax year 2024.
- Given that property tax notices will be sent to taxpayers in late 2024 and paid by February 2025, the first fiscal year impact will be FY24-25.
- The proposed legislation would require a municipality that adopts or has adopted the Program to use the proposed income limit if: (1) the municipality is located in a county that has adopted the \$60,000 income limit under the Program to also adopt the \$60,000

limit; or (2) the county trustee accepts tax freeze applications on behalf of the municipality or acts as the collecting official on behalf of the municipality, and the county has adopted the \$60,000 limit.

- According to the COT, there are 24 counties and 34 cities currently participating in the Program.
- The income limits for FY24-25 under current law range from \$36,370 to \$65,370, with 52 counties at the minimum income limit and Williamson County at the maximum income limit.
- The proposed legislation is permissive and would result in foregone local revenue for any local government that approves the \$60,000 limit since no additional revenue would be realized on qualifying properties from future tax increases.
- Due to multiple unknown factors such as how many local governments will adopt the proposed income limit, the number of additional properties that may be approved for the Program under the \$60,000 income limit, and the jurisdictions and timing for future property tax increases, the extent and timing of any foregone local revenue cannot be reasonably determined.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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